

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

DRC-01 ( ISO ) W

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R 192215Z DEC 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4374

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

UNCLAS SAN SALVADOR 4704

E.O. 11652 - N/A

TAGS: EGEN, EFIN, EAID, ES

SUBJECT: CENTRAL GOVERNMENT BUDGETS - 1974 AND 1973 STATUS

GUATEMALA ALSO FOR ROCAP

1. A 1973 CENTRAL GOVERNMENT BUDGET OF 557,877,250 COLONES (\$223.2 MILLION) WAS APPROVED AFTER LITTLE DEBATE AND VIRTUALLY AS SUBMITTED BY THE LEGISLATIVE ASSEMBLY DECEMBER 18. THIS REPRESENTS AN INCREASE OF 136.4 MILLION COLONES, OR 32.3 PERCENT OVER THE ORIGINAL 1973 BUDGET; IT IS 20.3 PERCENT HIGHER THAN THE AMENDED 1973 BUDGET OF 463.7 MILLIONS. CURRENT EXPENDITURES, AT 421.1 MILLION, ARE UP 24 PERCENT; CAPITAL EXPENDITURES, AT 136.7 MILLION, ARE UP 66 PERCENT OVER 1973'S ORIGINAL FIGURES OF 82.2 MILLION AND 31 PERCENT OVER THE MODIFIED BUDGET OF 104.4 MILLION. OF THE 348.6 MILLION IN OPERATIONAL EXPENDITURES, 61 PERCENT (213.4 MILLION) APPLY TO SALARIES AND RELATED SERVICES AND INCLUDES A 34.9 MILLION INCREASE IN WAGES, THE FIRST GENERAL

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ACROSS-THE-BOARD WAGE INCREASE IN ABOUT TWO DECADES.

2. THE INCOME BUDGET ASSUMES AN INITIAL FINANCIAL SURPLUS CARRY-IN OF 37,548,000 COLONES, CURRENT INCOME OF 409,520,000 (UP 13 PERCENT) AND CAPITAL INCOME OF 110,809,000 (UP 105 PERCENT). THE ESTIMATE OF THE SURPLUS IS HIGH, MORE SO DUE TO LESS-THAN-ANTICIPATED INCOME (E.G. LOWER COFFEE EXPORT TAXES) THAN HIGHER EXPENDITURES. THE 47 MILLION INCREASE IN CURRENT INCOME IS PREMISED ON MAINTAINING HIGH EXPORT PRICES (E.G. AVERAGE \$68 CWT FOR COFFEE) AND CONTINUED TAX COLLECTION IMPROVEMENT. THE MORE THAN DOUBLING OF CAPITAL INCOME REFLECTS PERHAPS THE ANTICIPATED USE OF THE 23 MILLION BOND AUTHORITY APPROVED MAY 1972 AND DEFINITELY A NEW BOND AUTHORITY FOR 54 MILLION APPROVED BY THE LEGISLATIVE ASSEMBLY DECEMBER 4. (SEVERAL PROPOSALS FOR THE SALE OF THESE BONDS ARE UNDER CONSIDERATION; TWO WE KNOW OF FROM LARGE NEW YORK BANKS OFFER A SHORT-TERM LOAN AND CONVERTIBILITY TO EURO-DOLLAR BONDS, BUT ALL DEPEND UPON SECURING REMOVAL OF THE INTEREST RATE CEILING OF 7.5 PERCENT).

3. THE CAPITAL BUDGET CONSISTS OF 89.3 MILLIONS DIRECT INVESTMENT, 26.5 MILLIONS IN FINANCIAL TRANSFERS AND 21 MILLIONS IN FINANCING BY FOREIGN LOAN. THE LATTER, UNDER THE MINISTRY OF ECONOMY AND ALL FOR THE CEL, IS A PECULIAR BREAK OUT SINCE IN TERMS OF SOURCES, THE BUDGET IS PROVIDED AS FOLLOWS: 27.5 MILLIONS GENERAL FUND, 54 MILLIONS INTERNAL BORROWING (SEE PARA 2) AND 55.3 MILLIONS IN EXTERNAL BORROWING, WHICH INCLUDES THE 21 MILLIONS. MINISTRIES ACCOUNTING FOR MAJOR ALLOCATIONS ARE: EDUCATION - 10.5 MILLIONS, PUBLIC HEALTH - 5.5 MILLIONS, ECONOMY - 29.1 MILLIONS AGRICULTURE 17.9 MILLIONS, AND PUBLIC WORKS - 57.7 MILLIONS.

4. DETAILS OF THE BUDGET WILL NOT BE AVAILABLE UNTIL PUBLISHED IN THE "DIARIO OFICIAL" BUT THE LARGEST MINISTERIAL ALLOCATIONS ARE:

MINISTRY; AMOUNT(MILLIONS); PERCENT INCREASE PERCENT TOTAL  
EDUCATION; 139.9; 26.4; 25.1  
PUBLIC WORKS; 78.7; 36.9; 14.1;  
PUBLIC HEALTH AND SOCIAL SERVICES; 58.7; 16.2; 10.5;  
AGRICULTURE AND LIVESTOCK; 42.2; 54.9; 7.6;  
ECONOMY; 37.9; 233.9; 6.8;

(ECONOMY'S INCREASE IS DUE TO INCLUSION OF 22.5 MILLION  
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FOR CEL'S POWER DEVELOPMENT PROJECTS).

5. IN A MORE FUNCTIONAL FORM, TWO THIRDS OF THE BUDGET (362.4 MILLION) RELATES TO SOCIO-ECONOMIC DEVELOPMENT, AS FOLLOWS:  
(A) SOCIAL SERVICES - EDUCATION, PUBLIC HEALTH AND LABOR - 203.5 MILLION; (B) ECONOMIC SERVICES - ECONOMY AND AGRICULTURE - 80.2 MILLION; AND (C) INFRASTRUCTURE WORKS - PUBLIC WORKS - 78.7 MILLION.

6. FROM A MINISTRY OF FINANCE REPORT ON THE STATUS OF THE GENERAL BUDGET AS OF NOVEMBER 30 WE CALCULATE, USING AN 11/12 PRO RATE BASE AS A BUDGETARY TARGET, THAT FUNDS DISBURSED AND OBLIGATED ARE AT 98.9 PERCENT OF THE OPERATION BUDGET AND 80 PERCENT FOR THE CAPITAL BUDGET.

7. CONCERNING 1973 TOTAL PUBLIC SECTOR INVESTEMENTS, CONAPLAN REPORTS 62.4 PERCENT OF FUNDS COMMITTED BY SEPT 30, ABAINST THE 1973 INVESTMENT BUDGET OF 212 MILLIONS; THIS COMPARIES WITH 53.8 PERCENT FOR NINE MONTHS 1972. CONAPLAN ESTIMATES PUBLIC SECTOR INVESTMENT EXPENDITURES (DIRECT AND INDIRECT) FOR 1973 REACHING 187.4 MILLIONS, WHICH COMPARES WITH 153.3 MILLIONS IN 1972. DIRECT INVESTMENT WOULD REACH 142 MILLIONS WHICH COMPARES WITH 128 MILLIONS IN 1972.

8. ADDITIONA DATA AND ANALYSIS WILL BE PROVIDED BY AIRGRAM WHEN BUDGET BREAKDOWN IS AVAILABLE.  
MOSKOWITZ

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, WAGES, CUSTOMS DUTIES, ECONOMIC DEVELOPMENT, AGREEMENTS, GOVERNMENT EXPENDITURES, OPERATING COSTS, BANK LOANS, SOCIAL CHANGE, TAX COLLECTIONS, INVESTMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973SANSAA04704  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** SAN SALVADOR  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1973/newtext/t19731215/aaaaaldm.tel  
**Line Count:** 134  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 DEC 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11-Dec-2001 by williad>; APPROVED <21 FEB 2002 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CENTRAL GOVERNMENT BUDGETS - 1974 AND 1973 STATUS GUATEMALA ALSO FOR ROCAP  
**TAGS:** EGEN, EFIN, EAID, ES  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005